

COLLEGE OF WILLIAM AND MARY IN VIRGINIA

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2008**



AUDIT SUMMARY

Our audit of The College of William and Mary in Virginia for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter that we consider to be a significant deficiency; however, we do not consider this to be a material weakness;
- no instances of noncompliance or other matters required to be reported; and
- the College has not yet completed the corrective action with respect to the previously reported finding “Improve Financial Reporting”. Accordingly, we have repeated the finding in this report. The College has taken adequate corrective action with respect to audit findings reported in the prior report that are not repeated in this report.

We have audited the basic financial statements of The College of William and Mary in Virginia as of June 30, 2008, and for the year then ended and issued our report thereon dated February 12, 2009. Our report, included with the College’s basic financial statements, is available at the Auditor of Public Accounts’ web site at www.apa.virginia.gov and at the College’s web site at www.wm.edu.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
INTERNAL CONTROL FINDING AND RECOMMENDATION	1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	2-4
COLLEGE RESPONSE	5-6
COLLEGE OFFICIALS	7

INTERNAL CONTROL FINDING AND RECOMMENDATION

Continue to Improve Financial Reporting

Since the College implemented the Banner Accounting System in July 2004, College management and staff have faced significant challenges in using the new accounting system to prepare its annual financial statements. In the current financial statement preparation cycle, the College hired a new Assistant Director of Financial Reporting and there were major improvements in financial statement preparation, including improved documentation, more timely final financial statements, fewer errors, and better preparation of year-end adjustments.

Also during the current audit, College staff and the auditors identified several significant errors from previous years that required restatements of beginning account balances, reclassification of revenues, and correction of footnote disclosures. College staff and the auditors worked together to correct the financial statements for these errors and this process delayed completion of the final financial statements until January 2009, three months after the financial statement deadline. After four cycles of preparing annual financial statements from the new accounting system, College financial reporting staff have not documented detailed procedures for preparing the financial statements and ensuring their accuracy.

We recommend that College senior management continue to review the financial reporting processes and ensure that financial statements are prepared promptly and accurately. The financial reporting process must be documented, evaluated, and improved. College financial reporting staff should be sufficiently cross-trained to provide adequate coverage over each aspect of the process. Implementation of these recommendations will improve the accuracy of the College's financial reporting and leave the College better prepared if and when financial reporting staff leave the College.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
The College of William and Mary in Virginia

February 12, 2009

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **The College of William and Mary in Virginia** as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 12, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of the College, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial

reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency entitled "Continue to Improve Financial Reporting", which is described in the section titled "Internal Control Finding and Recommendation", to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The College's response to the finding identified in our audit is included in the section titled "College Response." We did not audit the College's response and, accordingly, we express no opinion on it.

Status of Prior Findings

The College has not yet completed the corrective action with respect to the previously reported finding "Improve Financial Reporting." Accordingly, we included this finding in the section entitled "Internal Control Finding and Recommendation." The College has taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on February 12, 2009.

AUDITOR OF PUBLIC ACCOUNTS

JHS\clj



The College Of
WILLIAM & MARY

CHARTERED 1693

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
OFFICE OF FINANCE
POST OFFICE BOX 8795
WILLIAMSBURG, VIRGINIA 23187-8795
757/221-2740, FAX 757/221-2749

February 2, 2009

Mr. David Von Moll
State Comptroller
Department of Accounts
P.O. Box 1971
Richmond, VA 23218-1971

Dear Mr. Von Moll:

Enclosed is our corrective action plan for the management point included in the Auditor of Public Accounts' fiscal year 2008 audit of the College of William and Mary. This plan is being submitted in accordance with section 10205 of the CAPP manual.

Sincerely,

Samuel E. Jones
Vice President for Finance

cc: Thomas R. Morris, Secretary of Education
Daniel S. Timberlake, Director of Planning and Budget
Walter J. Kucharski, Auditor of Public Accounts

The College of William and Mary
Audit Corrective Action Plan
Fiscal year 2008

Management Letter Comment: Continue to Improve Financial Reporting

Since the College implemented the Banner Accounting System in July 2004, College management and staff have faced significant challenges in using the new accounting system to prepare its annual financial statements. In the current financial statement preparation cycle, the College hired a new Assistant Director of Financial Reporting and there were major improvements in financial statement preparation, including improved documentation, more timely final financial statements, fewer errors, and better preparation of year-end adjustments.

Also during the current audit, College staff and the auditors identified several significant errors from previous years that required restatements of beginning account balances, reclassification of revenues, and correction of footnote disclosures. College staff and the auditors worked together to correct the financial statements for these errors and this process delayed completion of the final financial statements until January 2009, three months after the financial statement deadline. After four cycles of preparing annual financial statements from the new accounting system, College financial reporting staff have not documented detailed procedures for preparing the financial statements and ensuring their accuracy.

We recommend that College senior management continue to review the financial reporting processes and ensure that financial statements are prepared promptly and accurately. The financial reporting process must be documented, evaluated, and improved. College financial reporting staff should be sufficiently cross-trained to provide adequate coverage over each aspect of the process. Implementation of these recommendations will improve the accuracy of the College's financial reporting and leave the College better prepared if and when financial reporting staff leave the College.

Management's Response:

Management agrees with the auditor's finding and appreciates recognition of progress made to date in implementing our multi-year plan to improve the College's financial reporting process. In addition to those improvements recognized by the auditor, the College also has established a quality assurance program for financial reporting, initiated process documentation, and enhanced statement development process management. Management has reviewed and validated last year's timetable for the remaining corrective actions including full documentation of financial statement development procedures by November, 2009 and cross-training of the financial reporting staff by June, 2010. We remain fully committed to improving the College's financial reporting process as evidenced by management's direct involvement in the process and our accomplishments since the new Assistant Director of Financial Reporting joined the staff in May 2008.

Corrective Action Completion Dates:

- November 2009 – fully documented detailed procedures for preparing the financial statements completed
- June 2010 – comprehensive cross-training of financial reporting employees completed

Responsible Position: Director, Financial Operations

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

BOARD OF VISITORS

Michael K. Powell, Rector

Henry C. Wolf, Vice Rector

Suzann W. Matthews, Secretary

Charles A. Banks III
Janet M. Brashear
Thomas E. Capps
John W. Gerdelman
Sarah I. Gore
R. Philip Herget III

Kathy Y. Hornsby
Jeffrey L. McWaters
Joseph J. Plumeri II
Anita O. Poston
John Charles Thomas
Jeffrey B. Trammell

Barbara B. Ukrop

Valerie R. Hopkins, Student Representative

Landon K Reidmiller, Student Representative

Katherine M. Kulick, Faculty Representative

Alexandra Duckworth, Faculty Representative

COLLEGE OFFICIALS

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA

W. Taylor Reveley, III, President

P. Geoffrey Feiss, Provost

Sean M. Pieri, Vice President for Development

Stewart H. Garnage, Vice President for Public Affairs

Samuel E. Jones, Vice President for Finance

Anna B. Martin, Vice President for Administration

Virginia Ambler, Interim Vice President for Student Affairs

RICHARD BLAND COLLEGE

James B. McNeer, President

Vernon R. Linquist, Provost and Dean of Faculty

Russell E. Whitaker, Jr., Dean of Administration of Finance